

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-02-1
OF PACIFICORP DBA UTAH POWER &)
LIGHT COMPANY FOR APPROVAL OF) NOTICE OF APPLICATION
CHANGES TO ITS ELECTRIC SERVICE)
SCHEDULES.) NOTICE OF MODIFIED PROCEDURE
)
) NOTICE OF COMMENT/PROTEST
) DEADLINE
)
) NOTICE OF INTERVENTION
) DEADLINE
)
) ORDER NO. 28931
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YOU ARE HEREBY NOTIFIED that on January 7, 2002, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of the Company's proposed electric service schedules. Included in the Company's filing is a related Cost-of-Service (COS) study, a proposed Schedule 34-BPA Exchange Credit distribution, a proposed Power Cost Surcharge (\$38 million) and a proposed Rate Mitigation Adjustment (RMA).

By this Notice the Commission proposes to process the Company's request for implementation of the Schedule 34-BPA Exchange Credit under Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. The Commission finds the remainder of the Company's Application to be of such nature that the public interest requires a public hearing.

BACKGROUND

PacifiCorp in its Application represents that the Company's Idaho revenue requirement, rate design and class Cost-of-Service (COS) was last changed in 1991 in Case No. UPL-E-90-1, Order No. 23508.

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On November 2, 2000, the Company filed an Application in Idaho for approval to defer excess net power costs incurred from November 1, 2000 through October 31, 2001. Reference Case No. PAC-E-00-05. In Order No. 28630, the Commission approved the Company's request for deferred accounting of excess net power cost. Pursuant to that authority, PacifiCorp reports that it has deferred approximately \$37 million in excess net power costs attributable to Idaho.

On November 5, 2001, the Company filed an Application for approval of a Power Cost Adjustment (PCA) mechanism in Idaho. The Commission found the Company's filing to be incomplete and put the Company on notice that it must file supporting testimony as a condition of any further procedural scheduling or consideration of the issues presented. Reference Order No. 28904. The Company has yet to complete its filing.

In May 2001, PacifiCorp reports that it entered into a Settlement Agreement with the Bonneville Power Administration (BPA Settlement) regarding the exchange benefits to be provided by BPA through September 30, 2006 to qualifying residential and small farm customers. The BPA Settlement, the Company contends, will provide approximately \$34 million in benefits to Idaho customers in 2002.

COMPANY PROPOSAL

PacifiCorp's proposal in this case consists of four elements:

1. Power Cost Surcharge

A surcharge would be added to the customers' bills to recover the \$38 million in excess power costs incurred by the Company during the deferral period. This surcharge would last over a two year period, with the level of the surcharge decreasing for the second year.

Under the Company's proposed Power Cost Surcharge, the Company will recover \$38 million in excess power costs over a two-year period in which 70%, or \$27 million, is recovered in the first year and the remaining 30%, or \$11 million is recovered in the second year. This 70/30 split, the Company contends, is designed in conjunction with the Rate Mitigation Adjustment to achieve the goal of customer classes not seeing any price increases as a result of these changes in either year.

Because the excess power costs are energy related, the Company proposes to collect them through a cents per kilowatt adjustment based on customers service voltage levels. The

PCA rates are obtained by dividing the total excess power costs by the total kilowatt hours at the generator and then adding an adjustment for voltage losses. The power cost surcharge will be applied to all customer classes and to all energy usage.

2. Cost of Service—Rate Adjustment

In addition, the proposal includes adjusting rates by class to bring them closer to the actual cost to serve each class. The adjustment, the Company contends, is a reapportionment of the existing revenues and will not result in an increase of the revenues collected in total.

One significant change in the Company's class Cost-of-Service study is a change in the status of interruptible and other large special contract customers from system allocation to state situs customers. This realignment comports with the Company's Restructuring Proposal pursuant to which each state electric company will have the obligation to serve all the retail load in its service territory. If approved, there will be no interjurisdiction allocation of costs to which system-wide revenue credits can be applied. Reference pending Case No. PAC-E-00-6.

The Cost-of-Service (COS) study presented is based on PacifiCorp's year end March 2001 normalized results of operations for the State of Idaho. The Company proposes to redesign its rates so that all customer classes fall within 5% of their cost of service. The cost of service redesign will be fully implemented in the first year and has been designed, the Company contends, to be revenue neutral; that is, the Company's total revenues will be unchanged as a result of this rate design.

3. Schedule 34—BPA Exchange Credit

The third aspect of the Company's proposal is an increase in the Bonneville Power Administration credit to the recently settled amount. The Bonneville Power Administration (BPA) residential and small farm exchange credit is a mechanism to provide benefits to qualifying customers of investor-owned utilities (like Utah Power) from the Federal Columbia River Hydroelectric system and satisfaction of BPA's obligations under the Northwest Power Act of 1980. The credit is available only to residential and small farm customers and is provided to the Company's customers in Idaho through electric service Schedule No. 34. In recent years the benefits have been allocated 43% to residential customers and 57% to irrigation customers. The Company's previous exchange agreement with BPA expired in 2001, and a new agreement (the 2001 Settlement) was entered into to provide a continuation of exchange benefits. In its

2001 rate case, the Company reports that BPA proposed an alternative to the traditional exchange. The alternative was to provide investor-owned utilities (IOUs) the option to purchase actual power or rights to power through a subscription process. IOUs that chose subscription did so as a settlement of their exchange rights for this period. The subscription was further split between actual power and a monetary portion that was calculated as a difference between BPA's price and BPA's forecasted market price. BPA expected that it would be required to purchase additional resources in order to serve that portion of the subscription that was delivered as actual power. Faced with the potential of very high costs for these additional resources, PacifiCorp agreed to forego its right to actual power for an overall financial settlement of its exchange benefits. The resulting financial BPA Settlement provides \$34 million in benefits to qualifying Idaho customers for the first year and \$35.2 million in the second year. This level, the Company reports, is substantially higher than historical levels. The Company proposes to allocate the settlement amounts between qualifying residential and small farm (or irrigation) customers in the same manner as the prior exchange agreement (i.e., 43% to residential customers and 57% to irrigation customers).

PacifiCorp is requesting that the BPA credit be implemented immediately even if other aspects of the filing are suspended. BPA increased its credit effective October 1, 2001. PacifiCorp contends that it has a contractual obligation to pass the credit through to its customers in a timely manner. Consequently, the Company is proposing that the Schedule 34 BPA credit, be approved for a February 1, 2002 effective date.

PacifiCorp proposes to have the anticipated four months' worth of accrued credit (for the period from October 1, 2001 until the new credit level is implemented in rates) for residential customers included in the first year's credit rate. In other words, the rate for the first year will be set to distribute 16 months worth of a normal year's amount for residential customers. The total amount of BPA credit the Company proposes to distribute to qualifying customers in year one is \$40.6 million. At the end of the first year, the rate will be reset to match a normal 12 months worth of credit. The Company proposes no adjustment for the four-month lag for irrigation customers. Irrigation usage, the Company contends, is largely completed by October 1. Irrigation payments, the Company also contends, fluctuate significantly year-to-year due to differences in irrigation usage during the irrigation season.

4. Rate Mitigation Adjustment (RMA)

Finally, the Company is proposing a rate mitigation adjustment. The rate mitigation adjustment is a pricing mechanism that the Company proposes on a policy basis. The filing consists of several elements that will each have the effect to increase or decrease individual customer's rates. The rate mitigation adjustment assures that when summed together no customer class will receive a rate increase during the two year power cost amortization period and those that qualify for the BPA credit will see a significant decrease.

The combination of the Cost-of-Service redesign, the Power Cost Surcharge and the BPA credit, the Company contends, results in changes to most customer prices and in some cases increases occur. The RMA is designed to offset those changes and to balance revenues so that no customer class will see a price increase in the first two years. The RMA is also designed to maintain greater price stability by minimizing price fluctuations from year to year.

The RMA is a surcharge or surcredit applied on a cents per kilowatt basis to each rate schedule. It has been designed to mitigate and moderate price impacts that may occur and to achieve the goal that customer classes receive no price increase for the next two years. In fact, most customers will see significant price decreases in both year one and year two. In year one, residential customers will see an average price decrease of 8%. Irrigation customers on average will also see a price decrease of 8% while, overall, commercial and industrial customers will see a decrease of 3%. Lighting customers will see an overall decrease of 9%.

In year two under the Company's proposal, the residential customer class will see a decrease of 15% from prices at the end of year one. Irrigation customers will also see an average decrease of 15%, while commercial and industrial customers overall see a decrease of 4% from prices in effect at the end of year one. Lighting customers overall will see a decrease of another 15%.

In the third year, the Company contends, prices will continue to decline. Residential prices will decrease by 19%. The irrigators will see a decrease of 21% while commercial and industrial customers will see, overall, a decrease of 6%. Lighting customers will see, overall, a decrease of 17%. The following table summarizes these percentages.

<u>Customer Class</u>	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>
Residential	(7.8%)	(14.6%)	(18.8%)
General Service			
Schedule 6	0.0%	0.0%	0.0%
Schedule 9	0.0%	0.0%	0.0%
Schedule 23	(7.1%)	(6.2%)	(5.0%)
Irrigation			
Schedule 10	(7.8%)	(14.6%)	(21.2%)
Commercial & Industrial Total	(2.8%)	(4.4%)	(5.7%)
Lighting	(8.5%)	(14.9%)	(17.3%)

YOU ARE FURTHER NOTIFIED that the Commission has reviewed and considered the Company's Application in Case No. PAC-E-02-1. The Commission has preliminarily found that the public interest regarding that portion of the Company's filing with respect to the **proposed Schedule 34-BPA Exchange Credit** may not require a hearing to consider the issues presented and that this portion of the application may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing in this proceeding with respect to the Schedule 34-BPA Exchange Credit unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to the proposed Schedule 34-BPA Exchange Credit and the Commission's related use of Modified Procedure in Case No. PAC-E-02-1 is **Thursday, January 24, 2002**. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission will consider the proposed Schedule 34-BPA Exchange Credit on its merits and enter its Order without a formal hearing. If comments are filed within the deadline, the Commission will consider them and, in its discretion, may set the

same for formal hearing or may decide the matter and issue its Order on the basis of the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that the Application in Case No. PAC-E-02-1 together with a related Cost-of-Service study and Company testimony are available for public inspection during regular business hours at the offices of the Idaho Public Utilities Commission, 472 West Washington, Boise, Idaho and the Idaho offices of PacifiCorp.

YOU ARE FURTHER NOTIFIED that the Commission has found that the remainder of the Company's Application (i.e., proposed cost-of-service adjustments, power cost surcharge and rate mitigation adjustment) is of such nature that the public interest requires a public hearing.

YOU ARE FURTHER NOTIFIED that persons desiring to intervene in Case No. PAC-E-02-1 for the purpose of becoming a formal party, i.e., to present evidence, to acquire rights of cross-examination, to participate in settlement or negotiation conferences and to make and argue motions must file a **Petition to Intervene** with the Commission pursuant to Rules of Procedure Rules 72 and 73 of the Commission's Rules of Procedure, IDAPA 31.01.01.072 and 073. **The deadline for filing the Petition to Intervene is Friday, February 8, 2002.**

YOU ARE FURTHER NOTIFIED that persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or to other parties.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

YOU ARE FURTHER NOTIFIED that discovery is available in Case No. PAC-E-02-1 pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.221-234. The parties should coordinate discovery requests and responses so that they are able to comply with filing deadlines.

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other

assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-Mail: jjewell@puc.state.id.us

Written comments concerning this Application shall be mailed to the Commission and the Company at the addresses reflected below:

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

Street Address for Express Mail:

472 W WASHINGTON ST
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All comments should contain the case caption and case number shown on the first page of this document.

Persons desiring to submit comments via e-mail may do so by accessing the Commission's homepage located at www.puc.state.id.us under the heading "Contact Us." Once at the "Contact Us" page, select "Email Case Comments or Questions," fill in the case number as it appears on the front of this document, and enter your comments.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby provide notice and adopt the foregoing schedule of comment and intervention deadlines in Case No. PAC-E-02-1.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this
day of January 2002.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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